

Opening ANWR to Oil Development The Right Decision for America

Hurricane Katrina shut down oil and gas production in the Gulf of Mexico, the source of 25 percent of U.S. petroleum production. While some facilities are back on-line, daily Gulf oil production remains more than 840,000 barrels less than pre-Katrina levels as of September 14th, an amount nearly equal to the daily capacity of the Trans-Alaska Pipeline System (TAPS). Further, Katrina damaged or took offline many oil refineries in the region representing over 12 percent of our national refining capacity and closed major pipelines for several days. As a result, retail gasoline prices spiked to over \$3.00 per gallon nationwide.

In the aftermath of Katrina, Congress is likely to again consider legislation allowing development of America's largest untapped oil reserve, found under the 1.5 million acre Coastal Plain of the Arctic National Wildlife Refuge (ANWR). This paper examines the resource potential of ANWR's Coastal Plain and demonstrates that development can be accomplished in a sensible manner, which allows for both production and protection of the environment and wildlife.

THE ARCTIC NATIONAL WILDLIFE REFUGE

The Arctic National Wildlife Refuge consists of 19 million acres north of the Arctic Circle in Alaska's far northeastern corner, bordered by the Trans-Alaskan Pipeline, Canada, and the Arctic Ocean. The Alaska National Interest Lands Conservation Act (ANILCA) of 1980 designated much of the area as wilderness and directed that a resource study be conducted of the 1.5 million-acre Coastal Plain, of which Alaskan Natives own 94,000 acres. Additionally, a section of the law prohibited oil and gas development in ANWR or "leasing or other development leading to the production of oil and gas in the range," unless authorized by Congress.



ANWR'S RESOURCE POTENTIAL AND ECONOMIC IMPACT

In 1987, the Final Legislative Environmental Impact Statement, conducted pursuant to ANILCA's provisions, recommended full development of the Coastal Plain and described it as "the most outstanding petroleum exploration target in the onshore United States." The study estimated that the region contained at least 3.2 billion barrels of economically-recoverable oil. It also

predicted the area could supply 4 percent of the nation’s demand for oil, reduce oil imports by 9 percent, and raise significant federal revenues.

A 1998 study by the United States Geological Survey increased estimates of ANWR’s potential to an average of 20.7 billion barrels of oil. Further, the study estimated ANWR to contain significant quantities of economically-recoverable oil. At crude oil prices of about \$40/barrel (2005 dollars), the study suggested an average of 6.3 billion barrels of economically-recoverable oil. Because the amount of economically-recoverable oil rises with market prices and technological innovation, the current price of \$63/barrel has raised the area’s potential significantly.

Crude Oil	95% Chance This Much or More	Mean Estimate	5% Chance This Much or More
In place	11.59	20.73	31.52
Technically recoverable	4.25	7.69	11.80
Economically recoverable at ... a market price of \$30/bbl	2.98	6.30	10.47
... a market price of \$24/bbl	2.03	5.24	9.37
... a market price of \$18/bbl	- 0 -	2.40	6.15

Note: All calculations to estimate economically recoverable resources and the prices used are in 1996 dollars.

Source: U.S. Dept. of the Interior, Geological Survey. *The Oil and Gas Potential of the Arctic National Wildlife Refuge 1002 Area, Alaska*. U.S.G.S. Open File Report 98-34 (Washington, DC: 1999) Summary, and Table EA4. (Report available on 2-disk CD-ROM.)

The potential impact on the nation’s economy is significant. Responsible development of ANWR’s Coastal Plain could further strengthen America’s economy by:

- ✓ producing 900,000 barrels of oil per day for the next 30 years.
- ✓ expanding the world’s oil supply and reducing its price.
- ✓ saving \$14 billion per year in oil imports.
- ✓ creating as many as 735,000 jobs throughout the nation.
- ✓ enhancing federal revenues by billions of dollars.

RESPONSIBLE DEVELOPMENT OF ANWR’S RESOURCE POTENTIAL

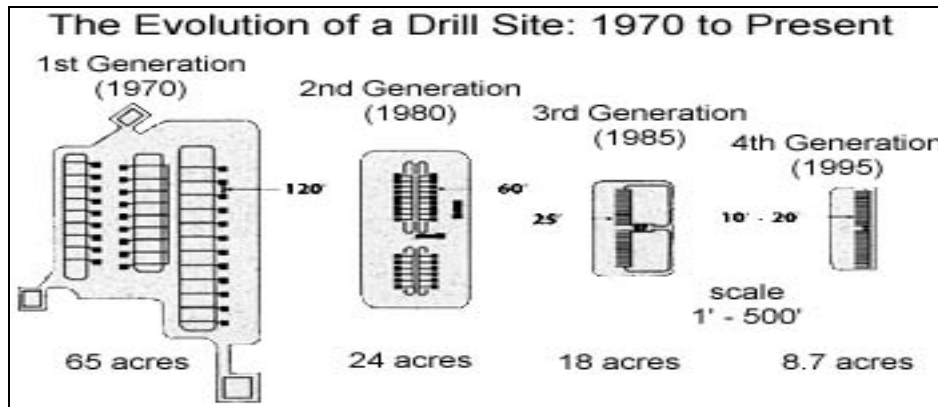
Whether resource development can occur while maintaining the area’s ecosystem lies at the heart of the debate over opening the Coastal Plain for leasing. While opponents of developing the resources often cast the debate as an “either/or” proposition, the goals of energy security and environmental protection are not mutually exclusive.

Despite concerns to the contrary, animal life in the region has not suffered as oil fields have been tapped on Alaska’s North Slope. As the Prudhoe Bay oil field has yielded 14 billion barrels of oil over the past 30 years, the Central Arctic caribou herd – which lives there for part of the year –

has grown from 3,000 to 32,000. In recent years, the herd's annual growth rate has approached 9 percent.

Some express reservations that oil exploration will be detrimental to the way of life of Alaska Native peoples. In fact, the native Inupiat favor development by an 8 to 1 margin. Leasing revenues will improve schools, improve access to health care, and expand other services which many Americans take for granted.

The deepest concerns arise from the potential "footprint" of oil and gas exploration in ANWR. However, as drilling technology has advanced, space requirements have fallen dramatically. Indeed, were the facilities at Prudhoe Bay to be constructed today, they would take up 64 percent less space.



Legislation previously passed by the House would limit the footprint of oil activities to just 2,000 acres of the 1.5 million acre Coastal Plain, an area proportional to the space a single letter occupies on the front page of *The New York Times*. To put it another way, ANWR is roughly the size of the state of South Carolina, yet the footprint would occupy a space equivalent only to the Charleston airport. Furthermore, House-approved language would also direct the Secretary of the Interior to limit oil exploration and extraction activities during periods of breeding, denning, nesting, spawning, and migration and allow the designation of special areas so as to protect and preserve the Coastal Plain's unique and diverse character – including its fish, wildlife, and traditional use by Alaskan Natives.

ANWR DEVELOPMENT: THE RIGHT DECISION

Hurricane Katrina demonstrated the need to maintain a geographically diverse energy supply. With Prudhoe Bay's resources declining, America should open ANWR to continue non-Gulf energy production. By passing legislation to allow for oil exploration while protecting the environment, Congress will be acting in America's best interests – creating jobs, lowering energy prices, and maintaining the stability of our energy supply.

Responsibly using our nation's resources makes America less dependent on other sources of energy, strengthens the economy, and enhances national security. With modern technology, oil and gas exploration in ANWR can be undertaken without harming the environment and native species of the Coastal Plain.